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Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 PA-04 USIA-15 PRS-01 DRC-01 OPIC-12 /242 W
---------- 056535
R 061430Z SEP 74
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 5778
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BRUSSELS
AMEMBASSY DHAHRAN
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USMISSION OECD PARIS

C O N F I D E N T I A L CARACAS 8741

E.O. 11652: GDS
TAGS: ENRG, VE
SUBJECT: POSSIBLE VENEZUELAN POSITION AT SEPTEMBER OPEC
MEETING
REF: CARACAS 8130

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1. VENEZUELA WILL BE REPRESENTED AT SEPTEMBER 12 OPEC

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MEETING BY
MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ, OPEC
GOVERNOR AND DIRECTOR OF PETROLEUM ECONOMICS ALBERTO FLORES,
AND SPECIAL CONSULTANT LUIS ENRIQUE BERRISBEITIA WHO IS ALREADY
IN VIENNA. EMBASSY OFFICER MET AUGUST 5 WITH DR. FLORES FOR
GENERAL DISCUSSION OF PETROLEUM MATTERS AND OPEC MEETING.

2. IMPRESSION IS THAT VENEZUELA WILL NOT FURTHER REDUCE OIL PRO-
DUCTION BEYOND ALREADY ANNOUNCED 100,000 B/D REPORTED IN REFTEL.
IT WILL SUPPORT REDUCTION OTHER MEMBER COUNTRIES MAY WISH TO
ANNOUNCE DURING MEETING AS NECESSARY TO BRING CURRENT OVERSUPPLY
IN LINE WITH CONSUMPTION AND PROTECT PRESENT PRICE STRUCTURE.
IN COMMENTING ON LATEST VENEZUELAN REDUCTION, FLORES CAST DE-
CISION IN TERMS OF COMPLYING WITH ECONOMIC REALITIES. STORAGE
FACILITIES ARE FULL AND OIL COMPANIES ARE FACING DIFFICULTIES
IN MOVING EXCESS PRODUCTION. WHILE ACKNOWLEDGING THAT COMPANIES
DID NOT REQUEST REDUCTION, FLORES SAID THEY READILY AGREED WITH
IT. THE REASON FLORES DOES NOT FORESEE FURTHER REDUCTION IS
BECAUSE HE ANTICIPATES INCREASED LIFTING OF VENEZUELAN OIL WILL
BEGIN THIS MONTH IN RESPONSE TO TRADITIONAL
SEASONAL DEMAND IN U.S. MARKET.

3. QUESTION OF COMPANY EXCESS PROFITS MAY BE ON OPEC AGENDA. IT
IS A SUBJECT NOW UNDER ACTIVE STUDY AGAIN BY GOV. FLORES
SAID THE GOV HAS SUSPENDED ITS STUDY OF POSSIBLE INCREASE IN TAX
BASE, BUT FOLLOWING DISCLOSURE OF INTERNATIONAL OIL COMPANY
SECOND QUARTER PROFITS, HAD RENEWED THE STUDY. ASSUMING THE STUDY
MIGHT RESULT IN A TAX INCREASE, FLORES WAS ASKED HOW OIL COMPANIES
COULD BE PERSUADED NOT TO PASS THIS ALONG TO THE CONSUMER.
FLORES AGREED THAT THIS WAS THE DILEMMA. HE SAID HIS GOVERNMENT
FEELS A MORAL RESPONSIBILITY TO PROTECT THE CONSUMER AGAINST
FURTHER COST INCREASES FOR OIL NOW THAT THE PRODUCER COUNTRIES
HAVE AT LONG LAST ACHIEVED A JUST PRICE LEVEL. FOR THIS REASON,
OPEC HAS INVITED CONSUMER COUNTRY GOVERNMENTS TO JOIN IN CON-
TROLLING EXCESS COMPANY PROFITS BY ENACTING THE NECESSARY REGULA-
TIONS AND LAWS. ASKED HOW HE WOULD DEFINE EXCESS PROFITS SO AS
NOT TO DEPRIVE OIL COMPANIES OF ESSENTIAL INVESTMENT CAPITAL,
FLORES SAID THAT EACH COMPANY'S SITUATION WOULD HAVE TO BE EXAMINED
SEPARATELY.

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4. FLORES DID NOT RESPOND TO A QUESTION OF WHETHER VENEZUELA
WOULD SUPPORT A SINGLE F.O.B. PRICE FOR ALL OPEC MEMBER OIL
BEYOND SAYING THAT HIS GOVERNMENT ALREADY HAS A SINGLE PRICE
RELATED TO OTHER OPEC PRODUCERS. IT IS CLEAR THAT VENEZUELA WILL
TAKE LEADING POSITION IN SUPPORTING CURRENT OIL PRICE STRUCTURE.
THIS WAS PUBLICLY REAFFIRMED BY MINISTER HERNANDEZ AFTER WEEKLY
PRESIDENTIAL CABINET MEETING SEPTEMBER 3. FLORES STATED THAT GOV
ECONOMIC DEVELOPMENT PROGRAM IS PREDICATED ON REVENUE BEING

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GENERATED AT PRESENT OIL PRICE LEVEL. HE SAID THAT THE PRICE LEVEL HAS BEEN FROZEN FOR PAST NINE MONTHS, AND HIS GOVERNMENT IS NOT NOW SEEKING A HIGHER PRICE (SIC).

5. FLORES PROJECTED THE CURRENT IMAGE VENEZUELAN OFFICIALS ARE TAKING IN ARTICULTING COUNTRY'S CURRENT OIL POLICY - A RELAXED CONVICTION OF CORRECTNESS OF THEIR POSITION. OIL INEQUITIES HAVE BEEN REDRESSED. THE SURGERY WAS PAINFUL BUT SWIFT, AND HEALING PROCESS REQUIRES COOPERATION OF BOTH SURGEON ANDPATIENT. HOPEFULLY, OLD SAW WON'T PREVAIL THAT OPERATION WAS A SUCCESS, BUT THE PATIENT DIED.
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Message Attributes

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To: STATE
Type: TE
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